



DALAL & BROACHA
STOCK BROKING PVT. LTD.

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Result Update@ Dalal & Broacha

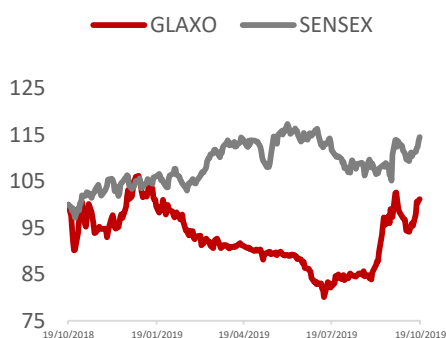
BUY

Current Price	1483
Target Price	1642
Upside/Downside	11%
52 Week Range	1545/1131

Key Share Data

Market Cap (Rs.bn)	248.88
Market Cap (US\$ mn)	3506
No of o/s shares (mn)	169
Face Value	10
Monthly Avg.vol (BSE+NSE) Nos'000	61
BSE Code	500660
NSE Code	GLAXO
Bloomberg	GLXO IN

Price performance



GlaxoSmithKline Pharmaceuticals (GSK PHARMA) Q2FY20 results were in line with our estimates on the EBITDA & PAT (adjusted for one-off's) and were marginally lower in topline growth.

Revenues grow below industry, better margins drive healthy earnings growth

Sales increased 8% yoy/12% qoq to Rs 8821 mn.

Gross Profit increased 10% yoy/ +12% qoq to Rs 5122 mn. Gross margin was at 58% (+90 bps yoy/-10 bps qoq). EBITDA increased +18% yoy/ +21% qoq to Rs 1942 mn. EBITDA margins were higher at 22% (+180 bps yoy/ +170 bps qoq).

Depreciation was higher due to the commercialization of Vemgal plant at Rs 227 mn (+97% yoy/ +19% qoq). PBT + 11% at Rs 1862 mn. PAT adjusted for exceptional items grew 25% to Rs 1406.4 mn. Adjusted EPS for the quarter was at Rs 8.3.

Exceptional gain from sale of land offsets product recall of ZINETAC

- The quarter saw an exceptional gain of Rs 4011.4 mn, which includes:
- Gain on sale of Thane land Rs 5451.9 mn
- Impairment of assets (Rs 263.1 mn)
- Product recall of ZINETAC (Ranitidine) tablets (Rs 1107.4 mn)
- Others (Rs 70 mn)

The company paid 10% tax on the exceptional gain, and 24% tax as per the new rates on the balance. The effective tax rate is at 14.4%.

Outlook & Valuation

We are positive on the company as operational efficiencies are visible over the last 2-3 quarters. We believe that GSK Pharma's strategy on focus on top 20 brands, patented new launches and shift in ELTROXIN manufacturing to Nashik has begun yielding fruit.

At CMP Rs. 1483, GSK PHARMA trades at 38x FY21E EPS of Rs 39.3.

We maintain BUY rating on the stock with a target price of Rs 1642 (+11%).

% Shareholding

	Sept-19	Jun-19
Promoters	75.0	75.0
FII	1.35	1.35
DII	11.17	11.13
Others	12.48	12.52
Total	100	100

Key Financials

Year	Sales	% Growth	EBIDTA	OPM (%)	PAT excl EI	% Growth	Adj. PAT	% Growth	EPS	PE (x)	RoE (%)	RoCE (%)
FY17	29,999.9	5.7	4,189.9	14.0	2,910.9	(10.5)	3,368.2	(10.5)	39.8	37.3	16.8	19.5
FY18	28,956.5	(3.5)	5,058.1	17.5	3,331.1	14.4	3,509.1	4.2	41.4	35.8	17.1	22.7
FY19	31,281.2	8.0	6,007.9	19.2	4,167.0	25.1	4,215.9	20.1	24.9	59.6	19.7	25.8
FY20E	35,347.8	13.0	7,863.6	22.2	5,732.0	37.6	9,743.4	131.1	33.8	43.8	36.0	26.2
FY21E	40,649.9	15.0	9,711.0	23.9	6,663.1	16.2	6,663.1	(31.6)	39.3	37.7	23.3	28.9



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Particulars	Q2FY20	Q1FY20	Q2FY19	% YOY	% QOQ	H1FY20	H1FY19	% change
Net Sales	8821.0	7880.2	8163.0	8%	12%	16701.2	15519.5	8%
Raw Material Consumed	(3698.7)	(3307.9)	(3491.2)			-7006.6	-6658.6	
Employee Expenses	(1474.7)	(1482.1)	(1395.3)			-2956.8	-2655.1	
Other Expenses	(1705.2)	(1489.4)	(1625.0)			-3194.6	-3150.6	
Total Exp	(6878.6)	(6279.4)	(6511.5)	6%	10%	(13158.0)	(12464.3)	6%
PBDIT	1942.4	1600.8	1651.5	18%	21%	3543.2	3055.2	16%
OPM (%)	22.0%	20.3%	20.2%			21.2%	19.7%	
Other Income	156.1	305.4	148.2			461.5	326.0	
Depreciation	(227.0)	(190.6)	(115.1)			-417.6	(253.5)	106%
Profit before tax	1871.5	1715.6	1684.6	11%	9%	3587.1	3127.7	43%
Tax - normal	(455.9)	(625.7)	(556.9)			-1081.6	(1054.1)	28%
PAT excl. exceptional	1415.6	1089.9	1127.7	26%	30%	2505.5	2073.6	51%
Exceptional Items*	4011.4	0.0	(117.9)			4011.4	(518.8)	
Tax on exceptional	(389.9)					-389.9		
PAT incl. Exceptional	5037.1	1089.9	1009.8	399%	362%	6127.0	1554.8	393%
NPM excl. exceptional	16.0%	13.8%	13.8%			15.0%	13.4%	
NPM incl exceptional (%)	57.1%	13.8%	12.4%			36.7%	10.0%	
Number of shares	169.41	169.40	169.40			169.41	169.40	
EPS incl. exceptional (Rs)	29.73	6.43	5.96			36.17	9.18	
Adj EPS (Rs)	8.36	6.43	6.66			14.79	12.24	



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GLAXOSMITHKLINE PHARMACEUTICALS FINANCIALS											
P&L (Rs mn)	FY17	FY18	FY19	FY20E	FY21E	Cash Flow St. (Rs. mn)	FY17	FY18	FY19	FY20E	FY21E
Income from Operatio	29,999.9	28,956.5	31,281.2	35,347.8	40,649.9	Net Profit	3,368.2	3,509.1	4,215.9	9,743.4	6,663.1
Raw materials	(13,977.5)	(12,413.1)	(13,580.3)	(14,669.3)	(16,666.5)	Add: Dep. & Amort.	263.5	379.9	485.9	774.3	1,421.3
Employee costs	(4,830.1)	(5,234.0)	(5,372.0)	(6,177.8)	(7,104.5)	Cash profits	3,631.7	3,889.0	4,701.8	10,517.7	8,084.4
Other Expenses	(7,002.4)	(6,251.3)	(6,321.0)	(6,637.1)	(7,168.0)	(Inc)/Dec in					
Cost of sales	(25,810.0)	(23,898.4)	(25,273.3)	(27,484.2)	(30,939.0)	-Sundry debtors	(442.4)	238.4	264.7	(538.3)	(261.5)
Operating Profit	4,189.9	5,058.1	6,007.9	7,863.6	9,711.0	-Inventories	1,000.7	(743.8)	136.9	(945.7)	(871.6)
Depreciation	(263.5)	(379.9)	(485.9)	(774.3)	(1,421.3)	-Loans/advances	(455.6)	418.3	(286.9)	(101.8)	(112.0)
PBIT	3,926.4	4,678.2	5,522.0	7,089.3	8,289.7	-Sundry creditors	(488.1)	2,269.3	(1,000.5)	563.7	629.2
Other income	10.7	545.4	1,023.2	656.7	714.5	-Others	1,703.1	5,632.4	237.8	(3,747.6)	1,196.8
Interest Income	717.5	-	(5.5)	-	-	Change in working capital	1,317.7	7,814.6	(648.0)	(4,769.6)	581.0
						CF from Oper. activities	4,949.4	11,703.6	4,053.8	5,748.1	8,665.4
Profit before tax	4,654.6	5,223.6	6,539.7	7,746.0	9,004.2	CF from Inv. activities	(4,841.4)	(2,370.6)	(2,286.2)	(13.8)	(2,009.0)
Provision for tax	(1,743.7)	(1,892.5)	(2,372.7)	(2,014.0)	(2,341.1)	CF from Fin. activities	(5,030.9)	(4,638.2)	(3,089.1)	(4,309.6)	(5,341.9)
Reported PAT	2,910.9	3,331.1	4,167.0	5,732.0	6,663.1	Cash generated/(utilised)	(4,922.9)	4,694.8	(1,321.5)	1,424.7	1,314.5
Extraordinary Items	457.3	178.0	48.9	4,011.4	-	Cash at start of the year	13,919.0	8,996.1	12,964.1	11,714.0	13,138.7
Adjusted PAT	3,368.2	3,509.1	4,215.9	9,743.4	6,663.1	Cash at end of the year	8,996.1	12,964.1	11,714.0	13,138.7	14,453.2
Balance Sheet	FY17	FY18	FY19	FY20E	FY21E	Ratios	FY17	FY18	FY19	FY20E	FY21E
Equity capital	847.0	847.0	1,694.1	1,694.1	1,694.1	OPM	14.0	17.5	19.2	22.2	23.9
Reserves	19,221.5	19,726.3	19,704.2	25,381.9	26,962.8	NPM	11.2	11.9	13.1	27.1	16.1
Net worth	20,068.5	20,573.3	21,398.3	27,075.9	28,656.9	Tax rate	(37.5)	(36.2)	(36.3)	(26.0)	(26.0)
Secured loans	-	-	-	-	-	Growth Ratios (%)					
Unsecured loans	9.9	5.8	1.8	1.8	1.8	Net Sales	5.7	(3.5)	8.0	13.0	15.0
Total debt	9.9	5.8	1.8	1.8	1.8	Operating Profit	(12.4)	20.7	18.8	30.9	23.5
Other non curr liab	35.0	22.6	22.1	22.1	22.1	PAT	(10.5)	4.2	20.1	131.1	(31.6)
CAPITAL EMPLOYED	20,113.4	20,601.7	21,422.2	27,099.8	28,680.8	Per Share (Rs.)					
Gross block	2,990.9	3,293.2	4,798.7	12,798.7	14,798.7	Net Earnings (EPS)	39.8	41.4	24.9	33.84	39.3
Accumulated deprecia	(463.8)	(791.9)	(1,154.2)	(1,928.4)	(3,349.7)	Cash Earnings (CPS)	42.9	45.9	27.8	62.1	47.7
Net block	2,527.1	2,501.3	3,644.5	10,870.2	11,449.0	Dividend	50.0	50.0	50.0	50.0	55.0
Capital WIP	5,732.2	9,229.0	10,026.4	2,000.0	2,000.0	Book Value	236.9	242.9	126.3	159.8	169.2
Total fixed assets	8,259.3	11,730.3	13,670.9	12,870.2	13,449.0	Free Cash Flow	1.3	110.2	10.4	33.8	39.3
Intangible assets	322.5	726.8	655.4	655.4	655.4	Valuation Ratios					
Investments	54.0	18.4	16.4	16.4	16.4	P/E(x)	37.3	35.8	59.6	43.8	37.7
Inventories	4,258.0	5,001.8	4,864.9	5,810.6	6,682.2	P/B(x)	6.3	6.1	11.7	9.3	8.8
Sundry debtors	1,708.0	1,469.6	1,204.9	1,743.2	2,004.7	EV/EBIDTA(x)	27.8	22.3	39.9	30.3	24.4
Cash & bank	8,996.1	12,964.1	11,714.0	13,138.7	14,453.2	EV/SALES(x)	3.9	3.9	7.7	6.7	5.8
Loans & advances	1,149.4	731.1	1,018.0	1,119.8	1,231.8	Div. Yield(%)	3.4	3.4	3.4	3.4	3.7
Other current assets	751.5	1,797.9	1,378.4	1,447.3	1,519.7	FCF Yield(%)	0.1	7.4	0.7	2.3	2.7
Sundry creditors	(2,789.3)	(5,058.6)	(4,058.1)	(4,621.8)	(5,251.1)	Return Ratios (%)					
Acceptances	(3,925.9)	(9,964.3)	(9,561.4)	(5,475.6)	(6,297.0)	ROE	16.8	17.1	19.7	36.0	23.3
Provisions	(3,209.8)	(3,850.2)	(4,071.4)	(4,478.5)	(4,926.4)	ROCE	19.5	22.7	25.8	26.2	28.9
Working capital	6,938.0	3,091.4	2,489.3	8,683.6	9,417.1						
Deferred Tax Assets	2,440.9	4,058.3	3,752.0	3,995.9	4,255.6						
Other non current ass	2,098.7	976.5	838.1	878.3	887.3						
CAPITAL DEPLOYED	20,113.4	20,601.7	21,422.2	27,099.8	28,680.8						



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